

October 31, 1996

The Honorable John W. Carlin
Archivist of the United States
National Archives and Records Administration
Washington, DC 20408

Dear Governor Carlin:

I am pleased to submit the fifteenth Semiannual Report to the Congress on the activities of the Office of Inspector General (OIG). Submission of the report is in accordance with section 5 of the Inspector General Act as amended (P.L. 100-504). The Act requires that you transmit the report, along with a report from your office, to the appropriate committees of the Congress within thirty days of its receipt.

I believe we accomplished a great deal in my first full Semiannual reporting period. We completed a number of significant assignments which had required extensive efforts and consumed much of our staff resources. I look forward to redeploying our resources to best assist the agency in achieving its mission.

Kelly A. Sisario
Inspector General

Enclosure

**OFFICE OF INSPECTOR GENERAL
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION**

SEMIANNUAL REPORT TO CONGRESS

For the Period of April 1, 1996 to September 30, 1996

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EXECUTIVE SUMMARY

This is the fifteenth Semiannual Report to the Congress summarizing the activities and accomplishments of the National Archives and Records Administration (NARA) Office of Inspector General (OIG). During this reporting period, our efforts were directed toward responding to Congressional requests, performing audits of agency programs and operations, keeping up with a large investigative workload, and providing program assistance in several administrative areas. The highlights of our major functions are summarized below:

- g **Audits:** We issued five reports. Two of these reviews were performed at Congressional request. First, we reviewed an adverse action NARA pursued against a former Deputy Archivist, and recommended that NARA develop and issue policy and procedures for taking adverse actions against members of the Senior Executive Service. Second, we reviewed the plans to renovate the National Archives Building and expand the National Archives at College Park. We noted the need to reexamine some of the assumptions which formed the justification for the two projects, and expressed concerns regarding the lack of adequate data on NARA's current holdings and future space requirements.
- g **Investigations:** The number of allegations received by the OIG has risen over the last three reporting periods. While we cannot definitively attribute this increase to any one cause, we believe that our outreach activities and proactive programs, as well as the appointment of a new Archivist, have contributed to the rise in allegations received because they may have led to (1) greater employee comfort in reporting matters to the OIG, both because employees better understand our function, and because employees feel that if they report problems to us, management will take action to resolve the problems; and (2) enhanced management awareness of, and willingness to take action on, waste, fraud, and abuse.
- g **Program Assistance:** We worked closely with management on draft policy statements involving NARA's Management Control Program. We suggested numerous improvements to clarify and strengthen management controls, and simplify the policies in accordance with the Directives Reduction Program. In addition, we instituted the proactive Crime Prevention Survey program, designed to identify and rectify crime conducive conditions in the workplace.

ABOUT THE NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

Mission

The National Archives and Records Administration (NARA) ensures, for the Citizen and the Public Servant, for the President and the Congress and the Courts, ready access to essential evidence.

Background

By preserving the Nation's documentary history, NARA serves as a public trust on which our democracy depends. It enables citizens to inspect for themselves the record of what the government has done, allows officials and agencies to review their actions, and helps citizens hold them accountable. It ensures continuing access to essential evidence that documents the rights of American citizens, the actions of federal officials, and the national experience.

Federal records reflect and document America's development and are great in number, diverse in character, and rich in information. These holdings include more than 4 billion pages of textual materials, over 112,000 reels of motion picture film, over 4 million maps, charts and architectural drawings, over 200,000 sound and video recordings, over 9 million aerial photographs and nearly 7 million still pictures, and over 14,000 electronic files from over 100 agencies and bureaus.

NARA is also involved in a number of other activities. NARA publishes the *Federal Register* and other legal and reference documents that form a vital link between the Federal Government and those affected by its regulations and actions. Through the National Historical Publications and Records Commission, NARA helps to preserve and publish non-Federal historical documents that also constitute an important part of our national heritage. NARA also administers 9 Presidential Libraries and the Nixon and Bush Presidential Materials Staffs, which preserve the papers and other historical materials of all the past presidents since Hoover.

Resources

In fiscal year 1996, NARA was appropriated a total annual budget of approximately \$200 Million and 2,533 Full-Time Equivalents (FTE). The \$200 Million included appropriations for operations, grants, reimbursable services, and facilities repairs and restorations. In addition, NARA has budget authority over a gift fund and a trust fund. NARA operations are spread throughout the United States, including the 9

Presidential Libraries mentioned above, 15 Federal Records Centers, and 13 Regional Archives.

ABOUT THE OFFICE OF INSPECTOR GENERAL

The OIG Mission

The OIG's mission is to help NARA ensure ready access to essential evidence by providing high quality, objective audits and investigations, and serving as an independent internal advocate for economy, efficiency, and effectiveness.

Background

The OIG's independent role and general responsibilities were established by the Inspector General Act of 1978, as amended. The Inspector General reports to both the Archivist and the Congress.

The OIG evaluates NARA performance, makes recommendations for improvements, and follows up to ensure economical, efficient, and effective operations and compliance with laws, policies, and regulations. In particular, the OIG:

- ℙ Assesses the effectiveness, efficiency, and economy of NARA programs and operations;
- ℙ Recommends improvements in policies and procedures to enhance operations and correct deficiencies;
- ℙ Recommends cost savings through greater efficiency and economy of operations, alternative use of resources, and collection actions; and
- ℙ Investigates and recommends legal and/or management actions to correct fraud, waste, abuse, or mismanagement.

Resources

In fiscal year 1996, the OIG spent approximately \$960,000 for operations. The OIG has 13 FTE. In addition to the Inspector General and support staff, which includes a part-time Counsel, 7 of these FTE are devoted to audits, 3 to investigations.

OFFICE OF INSPECTOR GENERAL ACTIVITIES

Review of Proposed Legislation and Regulations

During this reporting period, we reviewed and provided comments to NARA management on a number of internal policies and directives, as well as draft interagency regulations and other material for distribution outside NARA. NARA proposed no legislation during this reporting period. The most significant items we reviewed included:

- ℙ A NARA Bulletin, issued to Agency Heads government-wide, designed to deal with the perennial problem of employees departing government service who fail to make proper disposition of government records.
- ℙ A draft regulation updating records management regulations to acknowledge the impact of widespread use of e-mail and other technological changes.
- ℙ A draft regulation setting forth procedures for the management and transfer of audiovisual records to NARA.

Internet Initiatives

The OIG continued exploring ways to use the Internet to help accomplish its mission, and shared information with other OIGs.

- ℙ An OIG staff member gave a presentation on practical uses of the Internet for auditors at the Inspectors General Auditor Training Institute. We are in the process of revising the course materials for distribution throughout the IG community.
- ℙ On his own time, another OIG staff member established a non-government sponsored Internet website designed to assist investigators by providing access to law enforcement information and services. The site's Uniform Resource Locator (URL) is

<http://www.netrail.net/~hotline/investigations/>
- ℙ In addition, two OIG staff members co-authored an article, "Casting the Net: Reinventing the Hotline Using the Power of the Internet," published in *The Journal of Public Inquiry*.

Other Activities

In efforts to improve the working relationships between Inspectors General and agency employees, we have also developed an informational computer slide show presentation about the role of the Inspector General. We originally created this program for use within NARA, and have given the presentation twelve times to NARA employees at both NARA headquarters and field locations. The favorable response has led us to begin development of an upgraded, generic version of the presentation which can be used by Inspectors General at other agencies.

AUDITS

Overview

We issued five final reports during this reporting period. Two of these reviews were performed at Congressional request. First, we completed a review, requested by Representative Frank R. Wolf and Senator Mark O. Hatfield, of an adverse action NARA pursued against a former Deputy Archivist. We recommended that NARA develop and issue policy and procedures for taking adverse actions against members of the Senior Executive Service (SES). Second, at the request of the House Committee on Appropriations, we reviewed plans for renovating the National Archives Building (Archives I), which included plans to expand the National Archives at College Park (Archives II). In the report, we noted the need to reexamine some of the assumptions which formed the justification for the two projects, and expressed concerns regarding the lack of adequate data on NARA's current holdings and future space requirements.

We also issued three additional reports. First, we reviewed NARA's fiscal year 1995 internal control program, making eight recommendations for improvement. Second, we evaluated NARA's progress in establishing effective management controls and improving the accuracy and completeness of the information provided to the Federal Procurement Data System (FPDS) on consulting services contracts. Third, we issued a final report of our external quality control review, conducted at the request of the Peer Review Committee of the Executive Council on Integrity and Efficiency, of another OIG's audit operations.

Review of Adverse Action Involving a Former Deputy Archivist

At the request of Senator Mark O. Hatfield and Congressman Frank R. Wolf, we evaluated the process used by NARA to pursue an adverse action against a former Deputy Archivist, and allegations regarding perceived improper attempts to influence the process. More specifically, we addressed the following questions:

1. Was the adverse action process initiated and pursued in accordance with federal laws/regulations and NARA policies, and in a timely manner?
2. Were the actions of those involved in the process appropriate?

We concluded that, within the broad criteria provided by federal law and regulation, NARA used an appropriate, if untimely, SES adverse action process for the former Deputy Archivist. The lack of timeliness unnecessarily prolonged closure for the

former Deputy Archivist. The Acting Archivist appropriately initiated the adverse action process based on the findings and recommendations of a 1993 report by the President's Council on Integrity and Efficiency. The Proposing Official in the adverse action followed appropriate procedures in conducting her investigation of the former Deputy Archivist's actions, utilizing the existing extensive documentary record, preparing her notice of proposed action, and deciding on a proposed penalty. We found no evidence that the Proposing Official was limited in the scope and methodology of her effort.

The adverse action process took several months too long to complete, which unnecessarily prolonged closure of the matter for all concerned. NARA had no policy and procedures for conducting SES adverse actions; this delay could have been prevented had there been appropriate policy and procedures in place.

We also found no evidence to support the principal allegation that there was a conspiracy to remove the former Deputy Archivist, first from her position and then from NARA. However, we did find evidence suggesting there was a concerted effort to encourage her to retire, which included what appears to be a deliberate attempt to misinform her in an effort to persuade her to retire before the adverse action was decided.

We recommended that NARA develop and issue written policies and procedures for taking adverse actions against members of the SES. We also noted that NARA may wish to establish a Memorandum of Understanding to obtain oral reply officers, who hear answers to charges of misconduct, from another agency.

Plans to Renovate Archives I and Expand Archives II

At the request of the House Committee on Appropriations, we analyzed NARA's plans for renovating Archives I and expanding Archives II, and the cost, schedule, and space requirements estimates associated with the two projects. Our report questioned the total costs associated with the two projects, given the need to reexamine the underlying assumptions of space needs used to support the projects, and the need to develop accurate data on NARA's current archival records holdings and future space requirements. Subsequently, Congress did not approve the plans.

We found that the plans for Archives I and II, estimated to cost a total of \$272 million, were based on the assumption that Archives I should be renovated into a state-of-the-art archival facility. We believe this assumption needs to be reexamined given the cost of renovating and upgrading the archival space at Archives I, continuing questions regarding how much archival storage space is needed in the

Washington, DC area, and customer service needs for those archival records NARA plans to continue storing at Archives I.

To assess the need for the archival space proposed for the two projects, we attempted to determine the current and future needs for such space in the Washington, DC area. However, we encountered difficulties in developing the estimates because NARA had not calculated the existing volume of archival records at Archives I and II in a consistent manner, and there were varying estimates of the capacity for archival records at Archives I and II.

The subsequently issued House Appropriations Committee Report for the Treasury, Postal Service, and General Government Fiscal Year 1997 Appropriations Bill conformed with our findings. According to the Committee Report, NARA's plans to fully renovate Archives I and expand Archives II result in too little return to justify the great expense, particularly since the renovated Archives I would contain two-thirds less storage space at a price significantly higher than new construction, and because NARA has not considered permanently moving more archival records now housed in Archives I to Archives II. The Committee concluded, and Congress agreed, that the proposals were impractical, and did not fund them.

Federal Manager's Financial Integrity Act

We conducted a review of NARA's internal control program for fiscal year 1995. In performing our review, we assessed compliance with OMB's Circular A-123, Management Accountability and Control, and A-127, Financial Management Systems, for NARA's Federal Manager's Financial Integrity Act (FMFIA) annual assurance statement. During audit fieldwork, the agency took action on our finding that the NARA Trust Fund owed NARA's appropriations account \$89,000 in reimbursable costs by reimbursing affected NARA units.

Our review disclosed no major weaknesses in NARA's internal control program for fiscal year 1995. We found that NARA's annual assurance statement was adequately supported and the management control plan was evaluated and updated in a timely manner. We determined that the majority of scheduled evaluations were completed, and all financial subsystem evaluations were performed in accordance with the A-127 schedule. However, we did identify several areas where improvements were needed in NARA's internal control program.

Regarding NARA's implementation of OMB Circular A-123, we found that assurance statements to the Archivist did not provide enough meaningful information to readily support the bases for the statements, although in performing our fieldwork we found that adequate bases for the statements did exist. In addition, we found that

NARA managers did not always comply with the requirements in its Administrative Procedures Manual (ADMIN. 201) for documenting their evaluation files and notifying the NARA management control officer of corrective action status. We made two recommendations for improvement of the management control program, including a recommendation that the agency amend ADMIN. 201 to require NARA managers to prepare more detailed assurance statements, and document in their evaluation files explanations for recommendations not implemented.

Concerning NARA's implementation of OMB Circular A-127, we found that some financial system managers did not always fully report on or address all nonmaterial weaknesses identified during fiscal year 1995. We made six recommendations for improvement of the financial management control program, including a recommendation that NARA ensure that all annual assurance statements fully disclose nonmaterial weaknesses, and include the implementation status of all corrective actions and justification for any decisions not to implement recommendations.

Reporting of Consulting Services Contracts

As required by Public Law 97-258, we evaluated NARA's progress in establishing effective management controls and improving the accuracy and completeness of the information provided to the FPDS on consulting services contracts during fiscal years 1993, 1994, and 1995. Because we found problems with the reporting of all contract data during this review, we expanded the review scope to include the entire FPDS reporting process. We found errors and omissions in data reported in fiscal years 1993-1995. However, we made no recommendations because NARA implemented a more effective system of management controls for its FPDS data submissions in fiscal year 1996.

Peer Review Activity

As requested by the Peer Review Committee of the Executive Council on Integrity and Efficiency (ECIE), we conducted an external quality control review of another OIG's audit operations. The review was performed in accordance with the ECIE Peer Review Committee Bylaws and its Guide for Conducting Peer Reviews of the Audit Operations of Offices of Inspector General.

INVESTIGATIONS

Overview

We initiated 39 new cases this reporting period, and closed 31. At present, we have 48 active inquiries and/or investigations. We received 109 Hotline contacts -- 13 resulted in OIG investigations, and the remainder were referred to management officials or did not require action. As noted in the statistical summary of our investigative workload, the majority of our investigations involve theft. We are working with NARA management to actively identify ways to reduce theft at NARA.

Investigations

We began this reporting period with 40 open investigations. We initiated an additional 39 investigations and closed 31 cases. We referred three cases for prosecutive action, all of which were declined in favor of administrative action.

As shown by the table below, the number of allegations received by the OIG has risen over the last three reporting periods. While we cannot definitively attribute this increase to any one cause, we believe that our outreach activities - the OIG informational computer slide show presentation (see page 5), and proactive programs (see page 13) - as well as the appointment of a new Archivist, have contributed to the rise in allegations received because they may have led to (1) greater employee comfort in reporting matters to the OIG, both because employees better understand our function, and because employees feel that if they report problems to us, management will take action to resolve the problems; and (2) enhanced management awareness of, and willingness to take action on, waste, fraud, and abuse.

INVESTIGATIVE WORKLOAD TREND OVER LAST THREE SEMIANNUAL REPORTING PERIODS			
	4/1/95 - 9/30/95	10/1/95 - 3/31/96	4/1/96 - 9/30/96
Allegations Received	11	48	54
Cases Opened	31	37	39

As shown in the statistical summary of investigations on the following page, the majority of our investigations involve theft. We are working with NARA management to reduce theft at NARA. Additionally, the Assistant Inspector General for Investigations and the Designated Agency Ethics Officer have established a forum to discuss issues of mutual interest. They have agreed to meet regularly to exchange ideas, information, and reduce duplicative efforts.

Hotline

The OIG Hotline provides a prompt, effective, and confidential channel for reporting fraud, waste, abuse, and mismanagement to the OIG. In addition to receiving telephone calls at a toll-free Hotline number and letters at the Hotline P.O. Box, we also accept e-mail communications from either NARA's internal network, or over the Internet, through the Hotline E-Mail system.

During this reporting period, due to improper "800" service referrals, we modified our Hotline telephone system to filter out wrong numbers and requests for NARA services outside the OIG.

Operational controls are designed to protect the identity of Hotline sources. OIG special agents promptly and carefully review calls, letters, and e-mail to the Hotline. We investigate allegations of suspected criminal activity or civil fraud, and conduct preliminary inquiries on noncriminal matters to determine the proper disposition. Where appropriate, referrals are made to the OIG Office of Audits or to management.

The following table summarizes Hotline activity for this reporting period:

Cases Opened	13 *
Cases Referred Outside of OIG	20
No Action Necessary	76
Total Hotline Contacts	109

** Cases included in investigative workload statistics.*

STATISTICAL SUMMARY OF INVESTIGATIONS

Investigative Workload:

Cases pending from prior period	40
Allegations received this reporting period	54
Cases opened this reporting period	39
Cases closed this reporting period	31
Cases carried forward to next reporting period	48

Categories of Investigations:

Fraud	11
Conflict of Interest	3
Contracting Irregularities	5
Misconduct	8
Larceny (Theft)	15
Torts	0
Others	37

Investigative Results:

Cases pending prosecutive action	0
Cases referred for prosecutive action	3
Cases where prosecutive action was declined	3
Indictments/Warrants	0
Convictions	0

Administrative Remedies:

Employee(s) terminated	1
Employee(s) resigned in lieu of termination	0
Employee(s) suspended	0
Employee(s) given letters of reprimand/warnings	0
Employee(s) Counseled	1

Value of Funds or Property Recovered \$0.00

PROGRAM ASSISTANCE

During this period we worked closely with management on draft policy statements involving NARA's Management Control Program. We suggested language for the policies which would enhance management controls and better ensure management accountability over their areas of responsibility, and suggested ways to simplify the policies in line with Executive Order 12861, Directives Reduction Program. We held several meetings with the NARA staff who prepared NARA's draft management control policy. We offered numerous improvements to clarify key issues and strengthen controls over management control processes.

CRIME PREVENTION SURVEY PROGRAM

During this reporting period, we also initiated a Crime Prevention Survey (CPS) program designed to identify and rectify crime conducive conditions in the workplace. Managed by the Investigative Group in addition to their regular investigative activities, the CPS program is a proactive approach to reducing crime within or targeted at NARA and its employees, and for which the Audit Group provides staff assistance.

In addition to conducting annually scheduled CPSs of headquarters units and field locations, the Investigations Group also conducts CPSs requested by unit heads. The primary difference between scheduled and requested CPSs is that scheduled CPS reports are issued to office heads and the Archivist, while requested CPS reports are only issued to the requestors.

We completed one CPS this semiannual period. NARA management corrected the conditions we identified, and responded favorably to the CPS program. We received two requests for this service from NARA field offices, and are presently working with management to define the scope of the surveys and schedule dates for conducting them

FRAUD AWARENESS BRIEFING PROGRAM

The OIG is also in the process of developing a Fraud Awareness Briefing (FAB) program. Under the FAB program, when we identify management control weaknesses or other systemic conditions which have led to fraud in a particular situation, we will proactively share this information with all NARA managers to enable them to take steps to reduce or eliminate the potential for fraud.

REPORTING REQUIREMENTS

MANDATED BY

THE INSPECTOR GENERAL ACT OF 1978, AS AMENDED

<u>REQUIREMENT</u>	<u>SUBJECT</u>	<u>PAGES</u>
Section 4(a)(2)	Review of legislation and regulations	4
Section 5(a)(1)	Significant problems, abuses and deficiencies	6-12
Section 5(a)(2)	Significant recommendations for corrective action	6-9
Section 5(a)(3)	Prior significant recommendations unimplemented	15
Section 5(a)(4)	Summary of prosecutorial referrals	16
Section 5(a)(5)	Information or assistance refused	17
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Section 5(a)(7)	Summaries of significant reports	6-9
Section 5(a)(8)	Audit Reports - Questioned costs	19
Section 5(a)(9)	Audit Reports - Funds put to better use	20
Section 5(a)(10)	Prior audit reports unresolved	21
Section 5(a)(11)	Significant revised management decisions	22
Section 5(a)(12)	Significant management decisions with which the OIG disagreed	23

**PRIOR SIGNIFICANT RECOMMENDATIONS
UNIMPLEMENTED**

During this reporting period, there were no significant recommendations unimplemented.

SUMMARY OF PROSECUTORIAL REFERRALS

False Statement/Perjury

The three referrals cited in this report concerned a single case. The case involved the submission of a wrongly altered document, technically a felony. The overall situation was relatively minor, and criminal consideration was declined in favor of administrative resolution. During the course of the investigation, the determination was made that the subject of the investigation had provided false testimony during a formal deposition concerned with civil litigation related to the situation. A second referral was made, and a declination in favor of administrative action was received

Lastly, the subject of the investigation submitted false written statements to an OIG investigator. In consideration of the requirement of referring all acts of criminal misconduct to the Department of Justice, this violation was referred for criminal prosecution, but declined in favor of administrative action.

INFORMATION OR ASSISTANCE REFUSED

During this reporting period, no information or assistance was refused from other authorities.

LIST OF REPORTS ISSUED

<u>Report No.</u>	<u>Title</u>	<u>Date</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>	<u>Funds Put to Better Use</u>
	-				
96-01	Review of NARA's Internal Control Program for FY 1995	8/28/96	0	0	\$89K ^{1/}
96-04	Review of the Proposed Archives I Renovation and Archives II Expansion	4/24/96	\$272M ^{2/}	0	0
96-05	Review of FY 1993 - 1995 FPDS Reporting of Consulting Contracts	9/28/96	0	0	0
96-06	Peer Review of Another ECIE OIG	9/27/96	0	0	0
96-07	Review of the Adverse Action Process Involving a Former Deputy Archivist	9/27/96	0	0	0

^{1/} See page 8 for additional details.^{2/} See page 7 for additional details.

**AUDIT REPORTS
WITH QUESTIONED COSTS**

		<u>DOLLAR VALUE</u>	
<u>CATEGORY</u>	<u>NUMBER</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	1	\$272M	0
Subtotals (A + B)	1	\$272M	0
C. For which a management decision has been made during the reporting period	1	\$272M	0
(i) dollar value of disallowed cost	1	\$272M	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
E. Reports for which no management decision was made within six months	0	0	0

AUDIT REPORTS

WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	<u>CATEGORY</u>	<u>NUMBER</u>	<u>DOLLAR VALUE</u>
A.	For which no management decision has been made by the commencement of the reporting period	0	0
B.	Which were issued during the reporting period	1	\$89K
	Subtotals (A + B)	1	\$89K
C.	For which a management decision has been made during the reporting period	1	\$89K
(i)	dollar value of recommendations that were agreed to by management	1	\$89K
	based on proposed management action	0	0
	based on proposed legislative action	0	0
(ii)	dollar value of recommendations that were not agreed to by management	0	0
D.	For which no management decision has been made by the end of the reporting period	0	0
E.	Reports for which no management decision was made within six months of issuance	0	0

Requirement 5(a)(10)

PRIOR AUDIT REPORTS UNRESOLVED

None.

SIGNIFICANT REVISED MANAGEMENT DECISIONS

During this reporting period, no significant revised management decisions were made.

**SIGNIFICANT REVISED MANAGEMENT DECISIONS
WITH WHICH THE OIG DISAGREED**

None.